

VZCZCXYZ0001  
RR RUEHWEB

DE RUEHZP #0680/01 2541332  
ZNY CCCCC ZZH  
R 111332Z SEP 09  
FM AMEMBASSY PANAMA  
TO RUEHC/SECSTATE WASHDC 3728  
INFO RUEHBO/AMEMBASSY BOGOTA 2848  
RUEHCV/AMEMBASSY CARACAS 1181  
RUEHGT/AMEMBASSY GUATEMALA 0804  
RUEHMU/AMEMBASSY MANAGUA 0650  
RUEHSJ/AMEMBASSY SAN JOSE 2046  
RUEHSN/AMEMBASSY SAN SALVADOR 1578  
RUEHTG/AMEMBASSY TEGUCIGALPA 0445  
RHMFISS/CDR USSOUTHCOM MIAMI FL  
RHEHAAA/NSC WASHDC  
RHEFDIA/DIA WASHDC  
RUEAIIA/CIA WASHDC  
RUEKJCS/SECDEF WASHDC

C O N F I D E N T I A L PANAMA 000680

SIPDIS

E.O. 12958: DECL: 10/01/2020  
TAGS: [PGOV](#) [PREL](#) [PINR](#) [PM](#)  
SUBJECT: PRD IN CRISIS

Classified By: Ambassador Barbara J. Stephenson for reason 1.4 b and d.

#### Summary

¶1. (C) After suffering a humiliating electoral defeat in the May presidential elections, leaders of the Revolutionary Democratic Party (PRD) have been publicly lambasting one another and fighting for control of the party amidst serious corruption allegations. President Martinelli, like a shark smelling blood, has moved swiftly and strongly to highlight, and in some cases pressure the Attorney General to prosecute alleged corruption in previous PRD governments, telling his inner circle that he would like to destroy the PRD and govern without a strong opposition. However, the dissolution of the PRD could have long-lasting negative consequences for Panama, by eliminating both a moderating voice for the left and a strong check-and-balance on Martinelli's power. We are encouraged by recent reports that the PRD is re-writing its statutes and plans to elect a new slate of party officials in early 2010. We continue to tell our interlocutors that our vision of Panama as a secure, stable country includes strong democratic institutions such as responsible political parties. End summary.

#### A Brief History of the PRD

¶2. (SBU) The Democratic Revolutionary Party (PRD) of Panama was created in 1979 by General Omar Torrijos as the civilian political wing of the Panama Defense Forces (PDF), which held de-facto political power at the time. Reflecting Gen. Torrijos' governing style, the PRD embraced an eclectic set of ideological positions running from the socialist left to the nationalist right. Part of the Communist Party joined the PRD and formed the "La Tendencia" faction. This group was the incubator of many of today's PRD leaders, including the party's losing candidate in the recent Panamanian presidential elections, Balbina Herrera.

¶3. (SBU) Due to its associations with the disgraced military, the PRD was close to death in the aftermath of the U.S. invasion of Panama in 1989. Ernesto Perez Balladares, a former Finance Minister under Gen. Torrijos who exiled himself during the Noriega years, was able to rebuild the party by re-casting it as the party of Omar Torrijos, not Manuel Noriega. His investment in time and money in rebuilding the party were rewarded when he won the Presidency, and the PRD won control of the National Assembly, in 1994. Near the end of his term in 1999, his efforts to pass a constitutional referendum granting him the right to

run for immediate re-election were defeated in a national referendum by a margin of 2 to 1. Perez Balladares subsequently lost control of the PRD to Martin Torrijos, son of Omar Torrijos.

14. (SBU) In the 1999 elections, Martin Torrijos lost the presidency to Mireya Moscoso of the rival Panamenista Party. The PRD was able to control the National Assembly for a period of two years, however, giving the party tremendous leverage over the government. In 2002, two related major corruption scandals became public. One involved the alleged bribery of a few PRD Deputies by the Moscoso government to get the extra votes needed for the Assembly to approve two of Moscoso's Supreme Court nominees, Winston Spadafora and Alberto Cigarruista. This deal was allegedly cut by the PRD deputies themselves, leading Balbina Herrera to publicly accuse PRD Deputy Carlos "Tito" Afu on January 9 2002, of having accepted a \$1 million bribe. Several days later Afu appeared on television dramatically waving \$6,000 dollars around and announcing that the entire PRD legislative block had been bribed to approve a contract in favor of the CEMIS corporation, and that party leaders Martin Torrijos and Balbina Herrera had organized it, and received much larger bribes. The two cases, which were seemingly unrelated, were merged into one case, and then frozen by the Supreme Court for alleged prosecutorial defects. It is generally assumed that the fusing of the cases tied the fate of the PRD and the Panamenistas together, and formed the basis of a political agreement to bury the two cases.

15. (SBU) This scandal was only one of many that affected the Moscoso administration, however, and in 2004 a frustrated public elected Martin Torrijos as President with 47% of votes cast, while the PRD also won a majority in the National Assembly. Though Torrijos finished his term this year with relatively high approval rates of 50%, and oversaw an unprecedented period of economic growth, the PRD was resoundingly defeated by Ricardo Martinelli on May 3, with Herrera receiving fewer votes than the party's inscribed membership. The defeat has been blamed on many factors, including Herrera's high negative ratings and a grueling primary process that began in 2008 and revealed a strong personal animosity between Herrera and Juan Carlos Navarro, leading to a split party after a very close finish in the primary election. Following her devastating defeat, Herrera refused to congratulate Martinelli, immediately declared herself the leader of the opposition and the 2014 candidate, and, in a speech to her supporters, implied that the U.S. Embassy had conspired to defeat the PRD. She also claimed that Torrijos, in his capacity as Secretary General of the party, did not do enough to help her win. Several PRD contacts have told EMBOFFs that they are relieved Herrera did not win, given how badly she behaved in defeat.

16. (SBU) Following the election defeat, influential PRD members began calling publicly for the resignation of the entire executive board of the party, the Centro Ejecutivo Nacional (CEN). Of its nine members, only Juan Carlos Navarro has publicly stated that he is willing to give up his seat - but that is generally considered to be a ploy, since he is not in the majority of the CEN, and has not hidden his ambition to be the next PRD presidential candidate. The CEN is dominated by allies of Martin Torrijos and Herrera, who have joined ranks to defend their control of the party, though they are not believed to be close political allies. What brought them back together was their desire to maintain control of the CEN, and the revival of the CEMIS scandal. Perez Balladares, seeing a chance to regain control of the party he lost in 1999, released tapes of several PRD members, including Afu, discussing the CEMIS case, and the high profile roles of Torrijos and Herrera in great detail. Under this pressure, and additional pressure from President Martinelli (septel), the Supreme Court voted on July 22 to reopen the case. No definitive ruling has yet been made, leading to speculation that the case may yet be mothballed once again. Nonetheless, the revival of the case has cast a long shadow on the credibility of the current PRD leadership.

¶7. (SBU) However, things have not gone well for Perez Balladares either. The Panama City daily La Prensa broke a story recently that detailed Perez Balladares' personal enrichment from sweetheart deals to privatize casinos, and published evidence all the way down to signed checks by Perez Balladares. La Prensa Executive Director Fernando Berguido told the Ambassador August 25 that Martinelli himself had leaked the material to him, ending speculation that Torrijos had leaked it to retaliate.

#### Rising from the Ashes

-----

¶8. (C) National Assembly Deputies from ruling coalition parties Democratic Change (Martinelli's Cambio Democrático--CD), Panamanian (VP/FM Varela's Panamenistas), and the Patriotic Union (Union Patriótica--UP) have told emboffs not to be deceived by the seeming chaos within the PRD. They said the PRD has always been a resilient party which reaches far and wide through Panamanian society with a very disciplined and activist membership base. There is nothing like a common enemy to reunite a divided family, and the governing parties could already see PRD ranks circling the wagons to mount a unified opposition against Martinelli. For example, the PRD is already putting out concerted messaging such as "the government's anti-corruption moves are nothing but a political show." CD deputies admitted Martinelli would like to see the PRD splinter and disappear as a counter to his own political power and popularity. Those same deputies opined that would be bad outcome for Panama, because Martinelli without a strong opposition could be dangerous.

¶9. (C) Perhaps Martinelli overplayed his hand by pressuring the A/G to arrest former education minister Belgis Castro as part of a corruption investigation. In the unwritten rules governing Panamanian politics, that is simply not done. It may have spooked the PRD into feeling persecuted, and served as a wake-up call that Martinelli's threats to help the party self-destruct were not idle ones. PRD deputies told emboffs September 8 that they had full confidence the party would rise from the ashes with new leadership and new energy. Martin Torrijos recently reached out to Ernesto Perez Balladares (media reports say at the behest of Balbina Herrera and Juan Carlos Navarro) to ask for a truce so the party can reorganize; the two of them have led the party for the past twenty years. Party Vice President Elias Castillo said the PRD would write new statutes by December and elect a new CEN in the first quarter of 2010. He blamed much of the in-fighting on members posturing for leadership positions within the party. Deputy Crecencia Prado, who represents the Ngobe Bugle indigenous area, claimed the PRD membership base in the countryside was fed up with the party leaders' public squabbling, and were demanding more representation in the party power structures.

¶10. (C) The PRD deputies pointed out that the party's situation after the 1989 invasion to oust Noriega was much worse than it is now; they were so stigmatized they had to meet in hiding. Yet the party bounced back. They are certain the PRD will rebound now as well. They plan to examine every action of the Martinelli government and publicly chastise every misstep, so they can retake the presidency in 2014.

#### Comment: Why Should We Care About the PRD?

-----

¶11. (C) The continued existence of a responsible opposition party is an important counter-balance to Martinelli's increasingly Presidentialist rule (septel). Our long-term interest lies in developing democratic institutions - including political parties - to ensure a Panama that is secure, stable, prosperous and capable of effectively administering the Panama Canal. The PRD, Panama's largest and most disciplined political party, serves as a means of legitimate, if imperfect, access to the political process for a large part of Panama's population that still struggles with economic and social difficulties. The alternative could be a

more extreme and polarizing leftist movement that sees the U.S. as an imperial power.

¶12. (C) The post-election disputes that currently embroil the PRD are partially the result of strong personality conflicts among the leadership in the wake of a devastating loss mixed with the corrosive effects of endemic Panamanian political corruption. However, the PRD's problems are also the result of the inherently wide ideological span of the party - from the socialist "Tendencia" to the center-right pro-business and transactional moderates. It is precisely the function that the PRD performs in pulling these disparate groups together that is valuable. As a moderator of extreme left views and a legitimate outlet of popular socialist opinion, the PRD plays a vital role in making Panamanian politics work.

¶13. (C) As the drama plays out, we will be encouraging our PRD interlocutors to move towards our vision of a mature party that serves as a check and balance - albeit with more transparency and honesty than it has previously displayed. We are reaching out to PRD members to counter their perception that the U.S. Embassy supported the Martinelli-Varela ticket and now stands blindly behind the new government (a perception that Martinelli has actively fueled). We are passing our own concerted message that, rather than disintegrate in reaction to the rise of a new caudillo in Panama, we hope to see the PRD survive and continue to act as a responsible moderator of leftist political sentiment in Panama.

STEPHENSON